**Interest rate on education and home loans**

223. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that interest rate on education and home loans has been raised by certain financial institutions;

(b) if so, the details thereof and the factors prompting such a move by the banks; and

(c) the steps taken by Government to ease the burden of increased interest rate of education loans and home loans on low income and salaried class borrowers and in respect of such borrowers whose children have availed education loans?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) The interest rates on advances are deregulated and banks are free to fix the rate of interest themselves with the approval of their Boards. Banks have been advised to fix their Benchmark Prime Lending Rate (BPLR) after taking into account cost of funds, transaction cost, risk factor, margin and other overhead expenses. Based on these considerations, banks have raised the BPLR in the recent past. However, there are certain build in features in the Education Loan Scheme and the Housing Loan Scheme of banks which are designed to ease the burden of interest rates for those belonging to low income category. For instance, as per the Model Education Loan Scheme, the banks have been advised not to charge interest exceeding BPLR for loans upto Rs. 4 lakh. As regards home loans, under the Differential Rate of Interest (DRI) Scheme, the banks provide loans up to Rs. 20,000/- @ 4% to poor families.

**Gutka manufacturers**

224. SHRI MOTIURRAHMAN; Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that tax evasion is highest amongst gutka (pan masala)

manufacturers;

(b) if so, the details of gutka manufacturers booked during the last three years of tax evasion indicating the quantum of tax evaded by each gutka manufacturer;

(c) the action taken to check evasion of taxes by gutka manufacturers; and

(d) the details of taxes due against each gutka manufacturer and quantum of tax recovered from them during the last two years?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRl S.S, PALANIMANICKAM): (a) to (d) The information is being collected and will be laid on the Table of the House.

**Banks loans recovery methods**

225. SHRI SHANTARAM LAXMAN NAIK: Will the Minister of FINANCE be pleased to state:

(a) whether bank loan recovery methods adopted by banks have brought banking system to disrepute;

(b) whether RBI has issued any guidelines in this regard;

(c) if not, whether any guidelines are proposed to be issued;

(d) whether Government have taken any action against banks using "strong-arms-methods" as "arm-twisting methods";

(e) if so, the details thereof; and

(f) if not, the reasons for why no action have been resorted to?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Reserve Bank of India (RBI) has reported that incidents of alleged use of coercive methods by some banlcs for recovery of loans in case of default have come to their notice.

(b) To protect the rights of bank customers, prevent their harassment, etc. steps taken by Government of India/Reserve Bank of India (RBI), *inter-alia,* include the following:—

(i) RBI has issued instructions/guidelines to banks on 'Managing Risks and Code of Conduct in Outsourcing of Financial Services.

(ii) RBI has formulated the "Fair Practices Code for Lenders."

(iii) RBI has issued instructions to all commercial banks/NBFCs (excluding RRBs) regarding Credit Card Operations.

(iv) The Code of Banks' Commitments to Customers formulated by Banking Codes and Standard Board of India (BCSBI) provides, *inter-alia,* that the collection policy of the bank be built on courtesy, fair treatment and persuasion and the bank follows a security repossession policy in consonance with the law.

(v) The Indian Banks Association (IBA) has formulated a "Model Code for collection of dues and repossession of security" as also a "Fair Practice Code for credit card operations" which has been recommended to banks for adoption and implementation.

(c) Does not arise.

(d) to (f) The complaints in respect of use of musclemen and harassment of the defaulting customers are taken up by RBI with the concerned banks for appropriate action. In case of any violation of extant guidelines by a bank, appropriate regulatory action is taken by RBI.

In the Mid-Term Review of Annual Policy Statement (dated October 30, 2007), RBI has observed that in view of the rise in the number of litigations against banks for engaging recovery agents in the recent past, it is felt that the adverse publicity could result in serious reputational risk for the banking sector as a whole. RBI has urged banks to follow prescribed specific considerations while engaging recovery agents and has clarified that complaints received regarding abusive practices followed by a bank's recovery agent would invite serious supervisory disapproval. RBI would consider imposing a temporary ban (or even a permanent ban in case of persistent abusive practices) for engaging recovery agents on those banks where strictures have been passed/penalties have been imposed by a High Court/Supreme Court or against its Directors/Officers with regard to the abusive practices followed by their recovery agents.

**Exchange rate mechanism**

226. SHRI RAJEEV CHANDRASEI^HAR: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to adopt more managed and pegged exchange rate mechanism in the interest of development of manufacturing and exporting industries; and

(b) if so, by when it is likely to be done?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) No Sir. Since 1993, exchange rates are market determined. The exchange rate policy of the Reserve Bank of India is guided by the broad principles of careful monitoring and management of exchange rates with flexibility, without a fixed or a pre-announced target or